

1. Applying the Conceptual Framework by Professional Accountants in Public Practice (PAPP)

A professional accountant shall **comply with the fundamental principles and apply the conceptual framework to identify, evaluate and address threats**. When dealing with an ethics issue, the professional accountant shall consider the context in which the issue has arisen or might arise.

In Part 1 and 2, we have already discussed on the 3 approaches under Conceptual Framework. However, in this **Part 3 of the Code**, it sets out how a professional accountant in public practice (PAPP) shall **apply the Conceptual Framework**.

In this KLiP, we will cover:

- I. **Identifying Threats** - Threats to compliance with the fundamental principles might be **created** by a broad range of **facts and circumstances**.

The categories of threats with brief description are also described in earlier KLiPs. Hence, in this KLiP, examples of facts and circumstances are highlighted based on each category, that might create threats for a professional accountant in public practice when undertaking a professional service.

(a) **Self-Interest Threats**

- Having a direct financial interest in a client.
- Quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.
- Having a close business relationship with a client.
- Having access to confidential information that might be used for personal gain.

(b) **Self-Review Threats**

- Issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.
- Preparation of original data used to generate records (Eg: Valuation services) as well as perform assurance engagement for that subject matter.

(c) **Advocacy Threats**

- Promoting the interests of, or shares in, a client.
- Acting as an advocate on behalf of a client in litigation or disputes with third parties.
- Lobbying in favour of legislation on behalf of a client.

(d) **Familiarity Threats**

- Having a close or immediate family member who is a director or officer of the client.
- An audit team member having a long association with the audit client.
- A director or officer of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, who recently served as the engagement partner.

(e) ***Intimidation Threats***

- Being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter.
- Feeling pressured to agree with the judgement of a client because the client has more expertise on the matter in question.
- Being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment.
- Having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.

We continue with the other 2 approaches of conceptual framework in our next KLiP.

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